



Kansas Health Policy Authority: Agency Priorities and Transition

**Senate Public Health and Welfare
February 7, 2011**

Dr. Andrew Allison, KHPA Executive Director

Current Agency Priorities

- Eliminating the Clearinghouse backlog
- Addressing the Medicaid Cost Crisis
 - Medicaid cost savings RFI
 - RAC audit procurement
 - Lt. Governor's effort to remake Medicaid
- KHPA restructuring
- *Other operational priorities*
 - *K-MED eligibility system procurement*
 - *Assisting KID in applying for the Early Innovator Award*
 - *Securing analytic help to develop State options for reform*



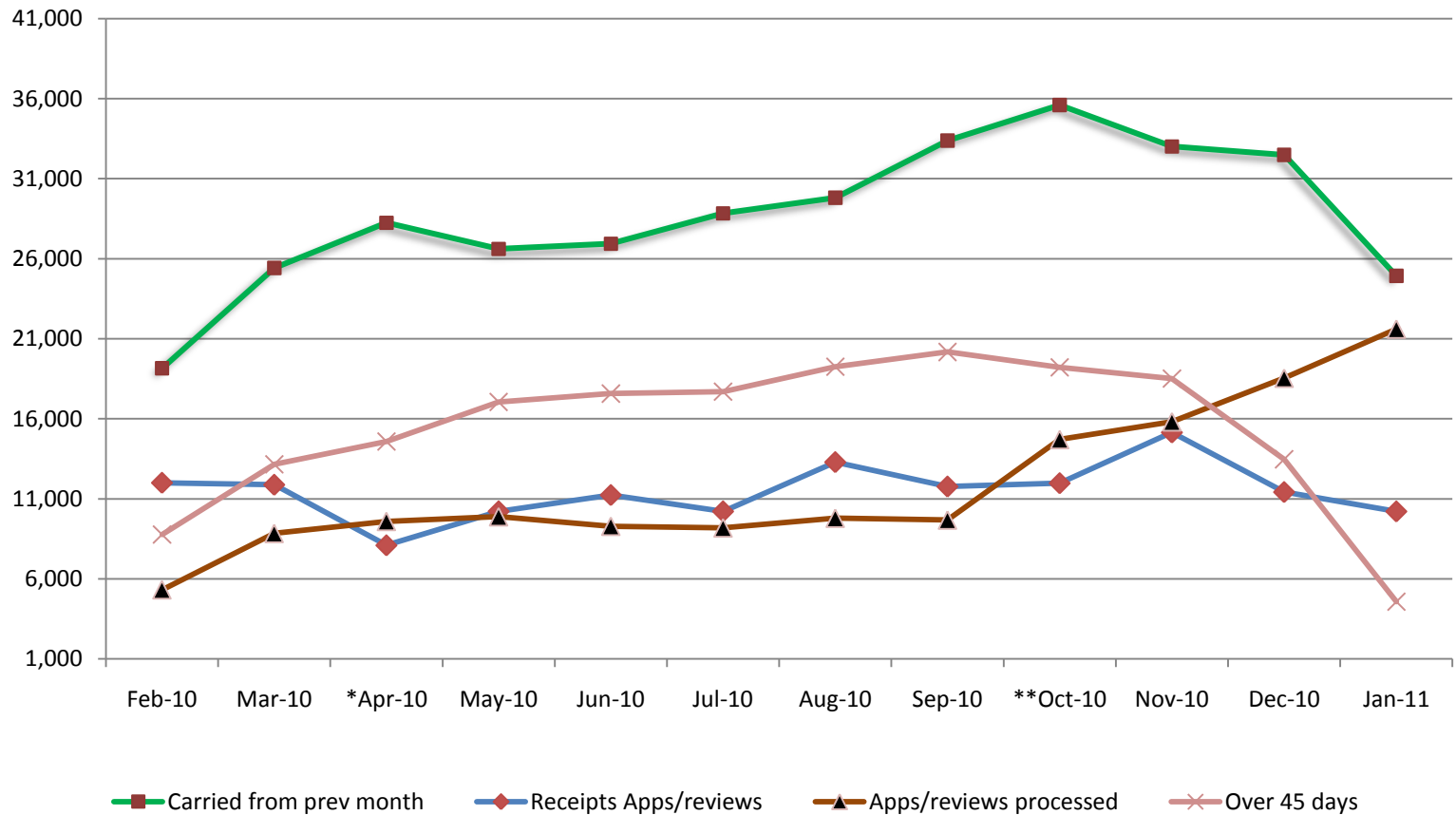
Eliminating the Backlog of Applications at the Clearinghouse

Clearinghouse Backlog

- KHPA has continued to work towards eliminating the backlog and expects to have it resolved by March
- KHPA Board approved two rounds of eligibility simplifications to speed applications and achieve permanent reduction in processing costs
- A \$1.2 Million federal CHIPRA bonus grant was awarded to KHPA in August
 - Two-thirds of funding used to hire temporary workers to reduce the backlog
 - Remaining funds put towards CHIP funding shortfall
 - Second award of over \$2 M has applied to CHIP funding
- Clearinghouse contractor paying to reduce about 25% of the backlog

Clearinghouse Backlog

Clearinghouse Workload Analysis





Clearinghouse Backlog

	Feb-10	Mar-10	*Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	**Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Totals
Carried from prev month	19,156	25,420	28,244	26,611	26,935	28,833	29,817	33,376	35,602	33,012	32,495	24,933	13,431	
Receipts Apps/reviews	12,007	11,884	8,099	10,223	11,241	10,221	13,299	11,772	11,982	15,154	11,428	10,217		137,527
Apps/reviews processed	5,322	8,842	9,595	9,884	9,291	9,188	9,794	9,681	14,709	15,818	18,543	21,615		142,282
Over 45 days	8,766	13,164	14,583	17,048	17,575	17,701	19,255	20,176	19,222	18,515	13,471	4,575		

* Numbers reflect Impact of the implementation of the 60 days extension for all reviews resulting in the number of reviews received to drop for a month.

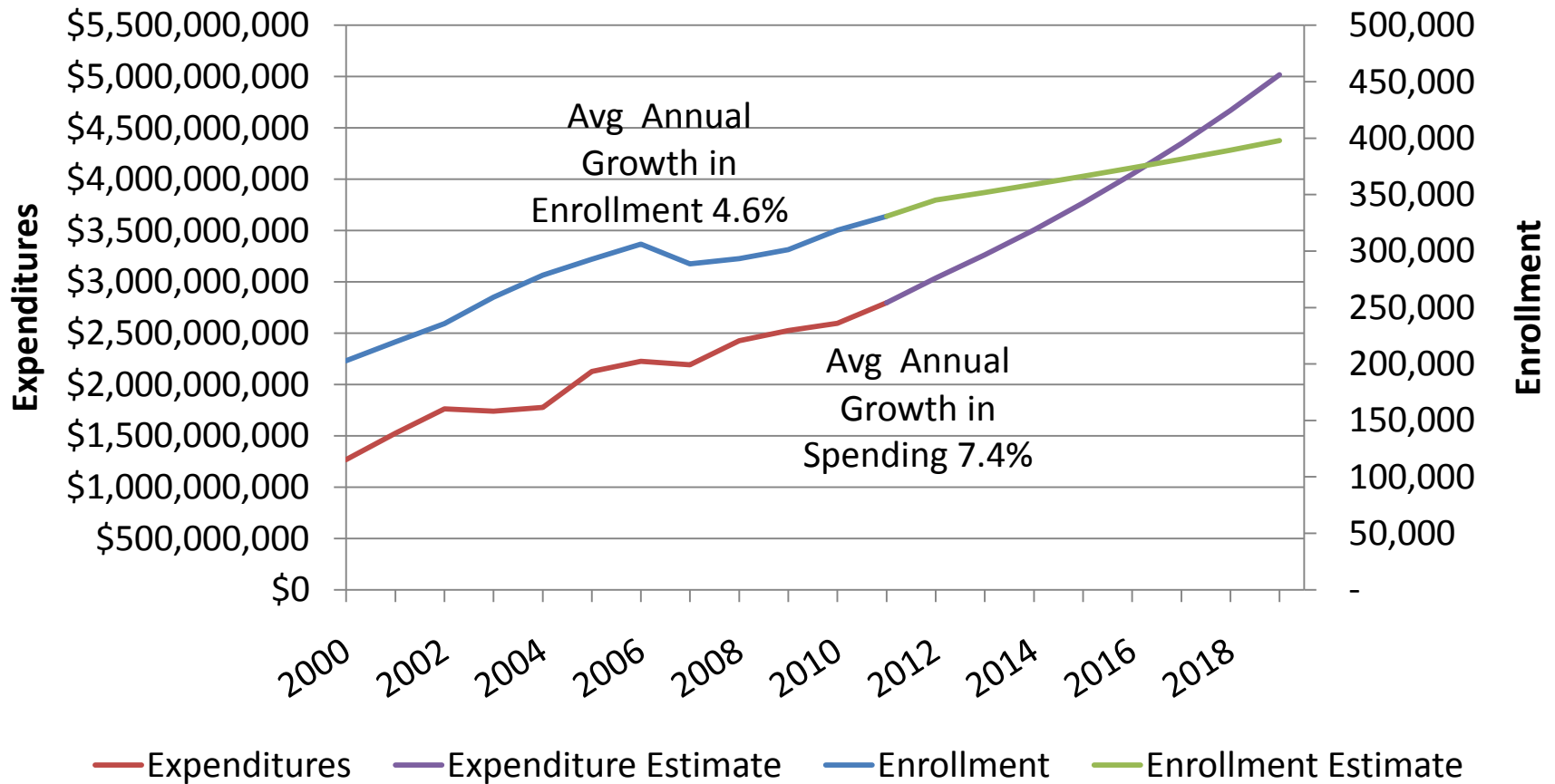
** Numbers reflect the addition of 16 staff as of 9/27/2010



The Medicaid Cost Crisis

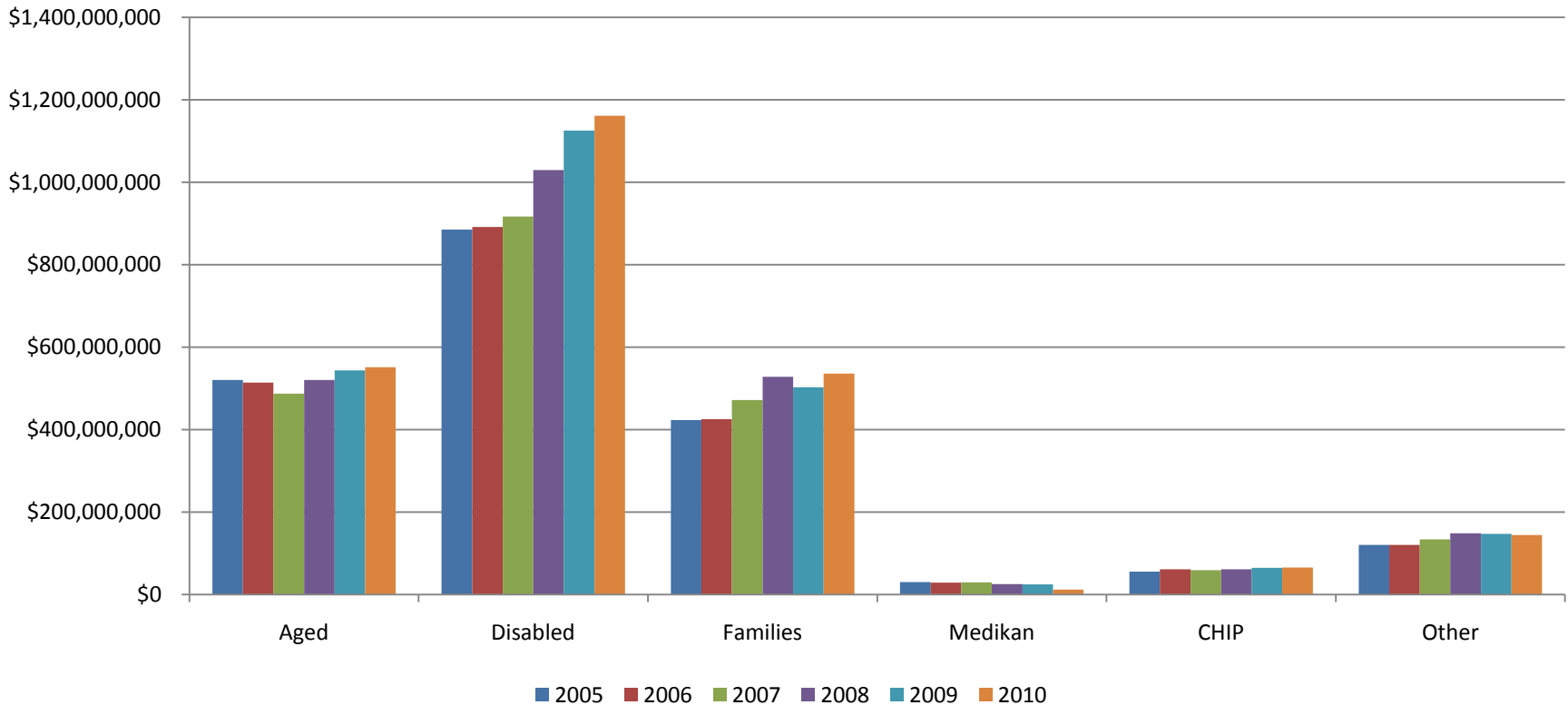
Potential Growth in Kansas Medicaid

Total Medicaid (without federal reforms)



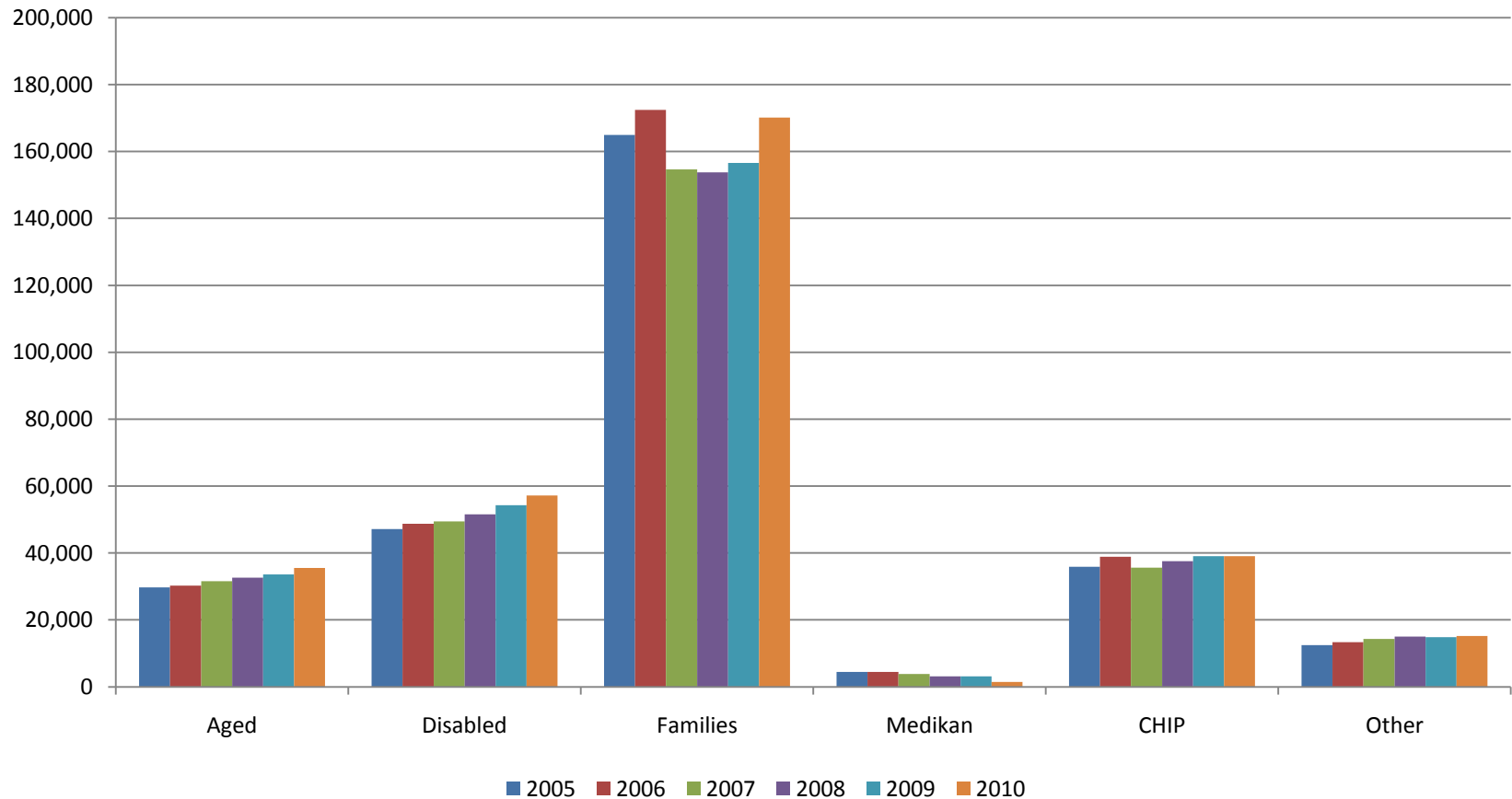
Recent Growth in Spending by Population

Population Expenditures 2005-2010



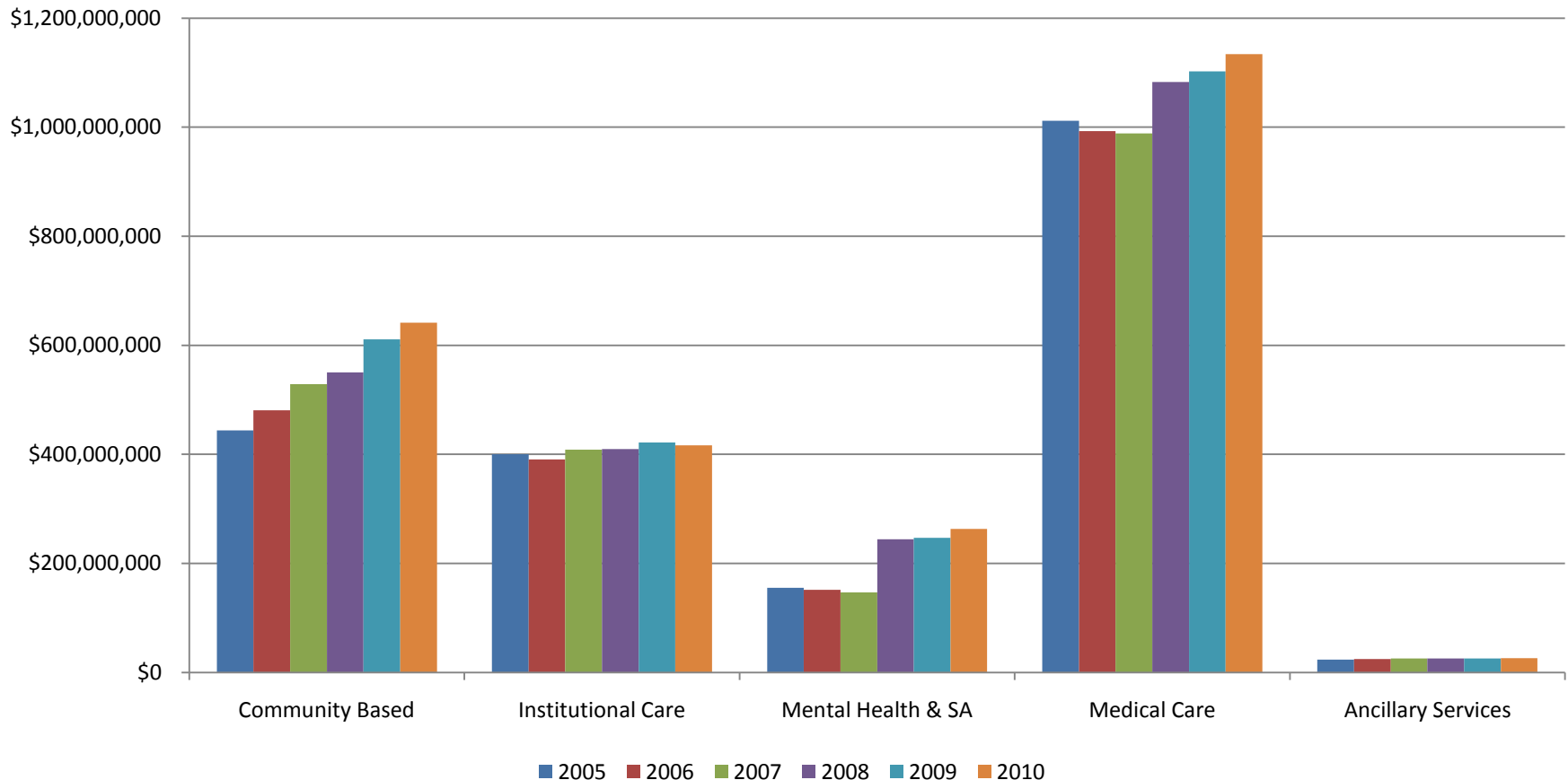
Recent Growth in Enrollment

Population Enrollment 2005-2010



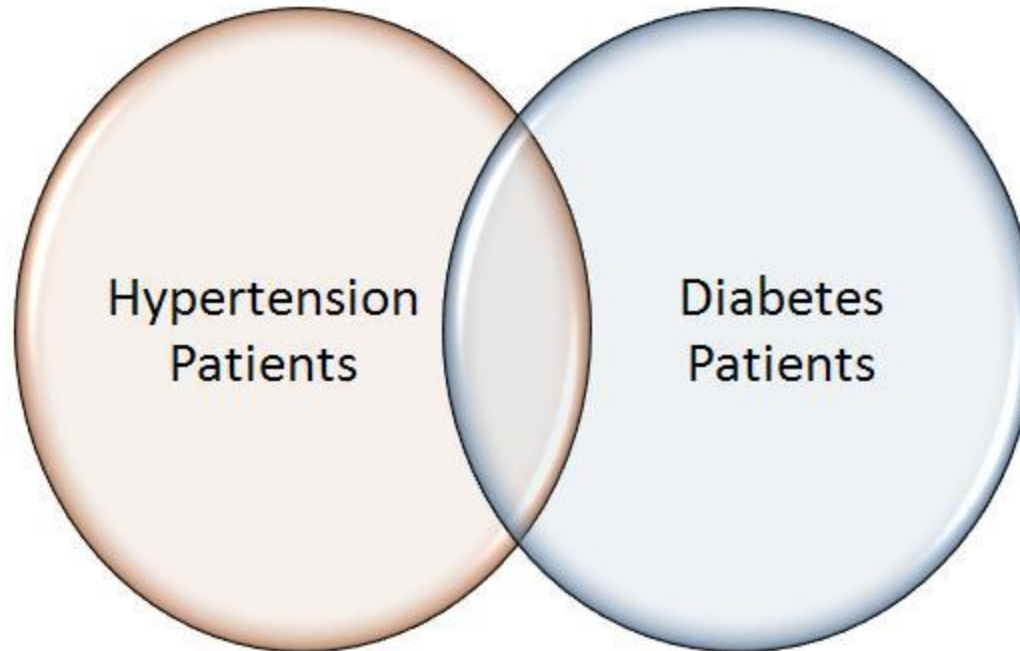
Recent Growth in Spending by Type of Service

Service Expenditures 2005-2010




Chronic Conditions Among Disabled Recipients

Hypertension and Diabetes Patients




Chronic Conditions Among Disabled Recipients

SSI Disabled Hypertension Patients Expenditure by Episodes of Care

Episode of Care	FY 07 Expenditure		FY 08 Expenditure		FY 09 Expenditure	
*Mental Health	\$	19,470,626.53	\$	10,545,687.92	\$	6,858,631.14
Diabetes	\$	8,933,706.96	\$	10,459,032.98	\$	9,670,361.45
Mental Hlth - Schizophrenia	\$	10,451,819.31	\$	6,997,382.24	\$	6,858,631.14
Hypertension, Essential	\$	8,277,959.76	\$	7,269,614.69	\$	7,160,513.93
Pneumonia, Bacterial	\$	4,505,617.72	\$	5,807,120.88	\$	6,002,822.42
Coronary Artery Disease	\$	5,208,510.50	\$	5,407,204.51	\$	5,417,332.81
Condition Rel to Tx - Med/ Surg	\$	4,547,452.49	\$	3,898,230.61	\$	3,579,839.59
Renal Function Failure	\$	3,572,006.44	\$	3,804,726.71	\$	3,977,878.37
Osteoarthritis	\$	3,379,792.86	\$	3,822,380.31	\$	3,690,618.09
Infec/ Inflam - Skin/ Subcu Tiss			\$	5,681,519.28	\$	4,869,995.61
Mental Hlth - Depression	\$	3,552,531.06	\$	3,548,305.68		
Mental Hlth - Bipolar Disorder	\$	5,466,276.16				
Cerebrovascular Disease					\$	3,699,274.31
Total Expenditure	\$	57,895,673.26	\$	56,695,517.89	\$	54,927,267.72
						
Total SSI Population Expenditure	\$	286,412,407.71	\$	306,144,449.37	\$	321,739,482.70
Hypertension Patients Percentage of SSI Total Expenditure		20.2%		18.5%		17.1%

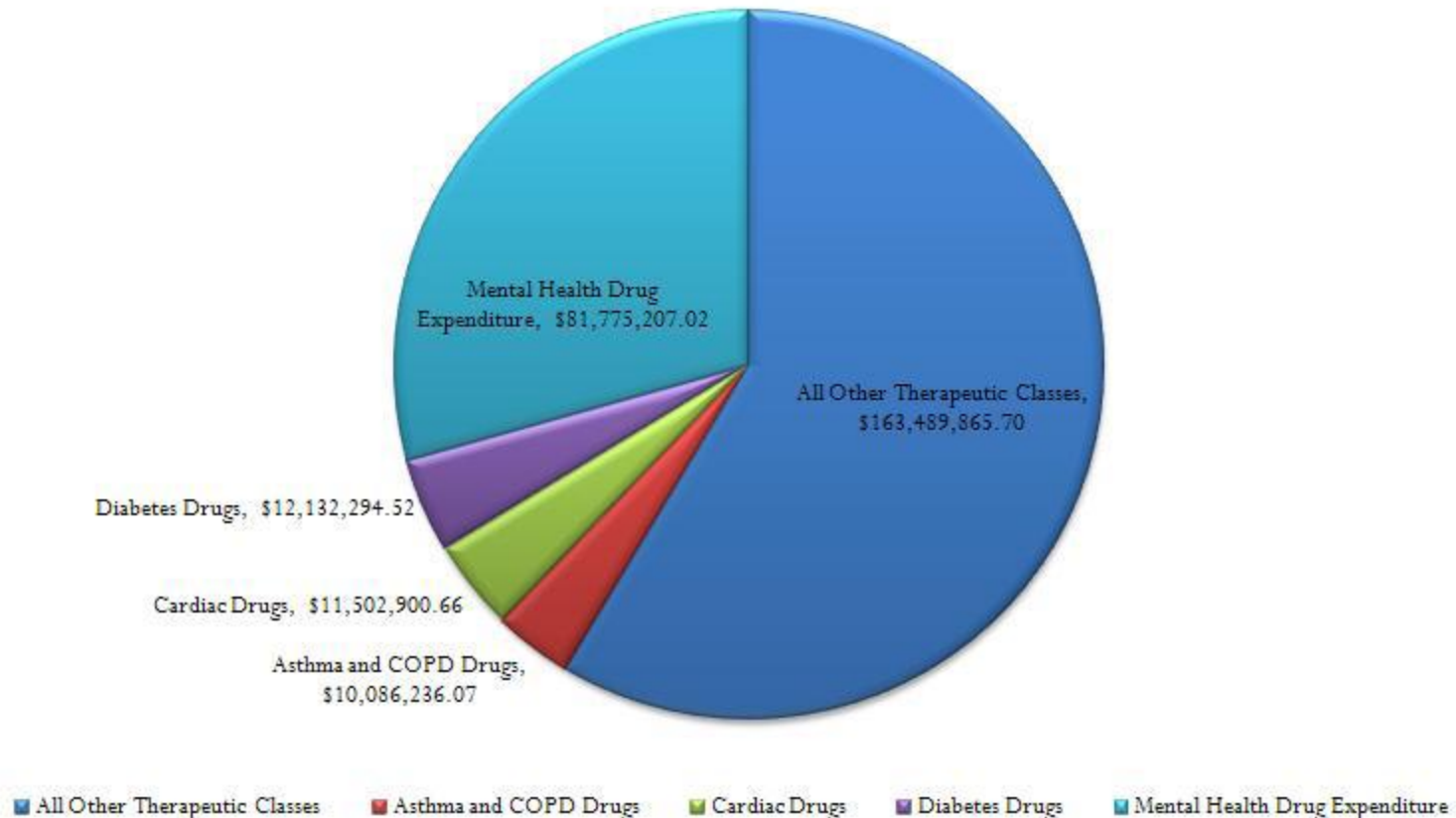
Chronic Conditions Among Disabled Recipients

SSI Disabled Diabetes Patients Expenditure by Episodes of Care

Episode of Care	FY 07 Expenditure		FY 08 Expenditure		FY 09 Expenditure	
*Mental Health	\$	14,461,090.60	\$	10,650,256.31	\$	4,917,227.58
Diabetes	\$	15,758,609.36	\$	18,078,677.22	\$	17,599,448.54
Mental Hlth - Schizophrenia	\$	7,910,255.11	\$	5,147,486.72	\$	4,917,227.58
Infec/Inflam - Skin/Subcu Tiss	\$	4,089,968.31	\$	5,703,397.89	\$	4,364,837.17
Pneumonia, Bacterial	\$	4,106,881.89	\$	4,293,006.98	\$	4,156,101.39
Coronary Artery Disease	\$	4,127,257.39	\$	3,752,721.62	\$	4,138,178.87
Hypertension, Essential	\$	3,678,536.60	\$	2,828,879.71	\$	3,185,540.33
Condition Rel to Tx - Med/Surg	\$	3,115,907.88	\$	2,990,364.12	\$	3,353,517.37
Renal Function Failure	\$	2,652,392.87	\$	2,422,917.42	\$	2,474,299.74
Mental Hlth - Bipolar Disorder	\$	3,776,999.09	\$	2,688,455.65		
Mental Hlth - Depression	\$	2,773,836.40	\$	2,814,313.94		
Chronic Obstruc Pulm Dis(COPD)					\$	2,157,424.34
Osteoarthritis					\$	2,050,514.94
Total Expenditure	\$	51,990,644.90	\$	50,720,221.27	\$	48,397,090.27
						
Total SSI Population Expenditure	\$	286,412,407.71	\$	306,144,449.37	\$	321,739,482.70
Diabetes Patients Percentage of SSI Total Expenditure		18.2%		16.6%		15.0%

Chronic Conditions Among Disabled Recipients

**Prescription Expenditures by Therapeutic Class:
SSI Disabled, All Ages FY 07-09**





Medicaid Cost Containment — Remaking the Program



FY 2012 Budget initiative: Recovery Audit Contract

Recovering Misspent Dollars

- The Kansas State Legislature in the 2010 legislative session passed legislation (House Substitute for Senate bill 572) directing the Kansas Health Policy Authority establish a pilot project for Health Care Cost Containment and Recovery Services to be implemented regarding programs of state agencies or programs responsible for payment of Medicaid or State Employee Health Plan medical or pharmacy claims .
- The state further provided that the pilot project be implemented in such a manner as to coordinate with the federal requirements to establish a Medicaid Recovery Audit Contract pursuant to the federal Patient Protection and Affordable Care Act, H.R. 3590 (ACA).
- The RAC Program's mission is to reduce Medicaid and CHIP improper payments through the efficient detection and collection of overpayments, the identification of underpayments and the identification of actions that will assist KHPA in preventing future improper payments.



FY 2012 Budget initiative: Recovery Audit Contract

Recovering Misspent Dollars

- RFP was developed with all agencies input, closed on October 29.
- Bidders required to guarantee at least 90% of projected recoveries to ensure legitimate bids and enhance competition.
- KHPA awarded the contract to Health Data Insight (HDI) in early December.
- HDI to find overpayments and recover excess funds.
- HDI promised a minimum collection of \$16.08 million over the FY 2011-2013 period.
 - \$4.5 million for Medicaid recoveries (SGF)
 - \$2 million in SEHBP recoveries
 - \$6.8 million returned to the Federal government (60% of net Medicaid recovery)
 - \$2.8 million in expected recovery contingency fees for HDI (17%)
- Recoveries are expected to exceed the contractor's guarantees.



Medicaid Cost Containment: Options

Avoiding unnecessary spending

- Available approaches to reduce Medicaid spending
 - Reduce payments
 - Reduce eligibility
 - Reduce range of services offered
 - Lower utilization through appropriate management and improved services
- Limitations on state flexibility
 - Eligibility maintenance of effort (MOE) requirement began in ARRA and was made permanent in the ACA
 - Potential legal restrictions on state flexibility to reduce payments
 - Vast majority of optional spending is for services that either improve health , lower overall costs, or could be protected by the MOE
- Best available options are to redesign program payments, coordinate care, address unnecessary utilization and ensure positive incentives for both consumers and providers to achieve high quality care



Medicaid Cost Containment: Initiatives

Avoiding unnecessary spending

- KHPA solicited Medicaid cost-saving ideas in an open call in February 2010. Dozens of ideas were summarized in a Medicaid savings options report submitted to the legislature.
- KHPA hosted a Forum on Cost Drivers in Medicaid April 26, 2010 for stakeholders, providers, state agencies and legislators to identify sources of growth and discuss potential solutions.
- KHPA developed a Request for Information (RFI) to seek products and services from vendors that could reduce Medicaid costs (responses were due October 29, 2010). *See attached summary of responses.*
- Governor Brownback has identified Medicaid spending as unsustainable, and one of three fiscal priorities to address the state's structural deficit
- Lt. Governor Dr. Jeff Colyer is leading an effort to be spearheaded by the HHS Sub-Cabinet to remake Medicaid. The Administration is soliciting ideas for pilot programs and reforms to curb growth, achieve long-term reform, and improve the quality of services in Medicaid. (Responses are due to Dr. Barb Langner at KHPA February 28)



Medicaid Cost Containment: Keys to Success

- Recognizing the need for change
- Understanding the cost drivers and potential solutions
- Political ownership of the program and its challenges
- Strong leadership and a sustained effort
- Active engagement with Kansas health care community
- Timely action and fundamental changes
- Coordinating care across service categories
- Revisit Federal limits, requirements and mandates



Agency Restructuring

Agency Restructuring

- Governor Brownback has issued a Executive Reorganization Order merging KHPA into the Department of Health and Environment
- Executive Reorganization Order to be put forward
 - EROs take effect on July 1st
 - KHPA Board remains the head of the agency through June
- KHPA Board will scale back operations and cede leadership on policy choices affecting FY 2012 and beyond
- Staff are working closely with KDHE and the Administration
 - Identifying administrative efficiencies
 - Planning for program integration
 - Supporting the Lt. Governor's HHS Sub-Cabinet Team
 - Coordinating on major procurements and interagency projects

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